

July 14, 2004

The Honorable Robert Bunda, President
and Members of the Senate
Twenty-Second State Legislature
State Capitol, Room 003
Honolulu, Hawaii 96813

Dear Mr. President and Members of the Senate:

Re: House Bill No. 1860, H.D.1, S.D.2, C.D.1

On July 13, 2004, House Bill No. 1860, entitled "Relating to Child Abuse and Neglect" became law without my signature, pursuant to Section 16 of Article III of the State Constitution.

The purpose of this bill is laudable in that it attempts to provide additional revenue to enhance services for the prevention and intervention of domestic violence and child abuse, as well as to increase community awareness of the problem, by allowing taxpayers to designate \$5 of state income tax refunds to be paid into various funds.

Unfortunately, I must object to the administrative burdens and policy concern that would result from this well-intended bill. There is no equivalent voluntary designation for federal income tax purposes. This goes contrary to good tax practices of conforming state returns to federal standards, thereby simplifying and streamlining compliance with tax laws.

Under the current statute, check-off provisions are required to be in the income tax return form itself, as opposed to a separate schedule. The income tax return form already contains three other check-off provisions. There is currently no space on the income tax return form to include another check-off provision. Thus, this bill will require the revision of the individual state income tax return form and instructions.

Not only will this bill require the revision of the income tax return forms and instructions, it will also affect the tax return processing and computerized systems. The costs of processing the tax returns as well as the potential for processing errors will increase. The Department of Taxation's computer system will likely have to be reprogrammed.

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The amount the bill will actually generate is difficult to predict. Further, based upon experience with existing check-off provisions, participation wanes over time and the small amounts collected usually do not justify the costs necessary to implement this bill. Additionally, this bill reinforces the precedent that organizations seek direct tax funding rather than be reviewed and evaluated in the context of the annual budgeting process. Moneys provided by a check-off system bypass the normal budget process and are difficult to incorporate into the State's six-year financial plan.

Therefore, I allowed House Bill No. 1860, H.D.1, S.D.2, C.D.1 to become law as Act 228, effective July 13, 2004, without my signature.

Sincerely,

LINDA LINGLE